

WHAT
is a
CREDIT
UNION ?



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This pamphlet is intended only as an introduction of the subject of credit unions and has purposely been confined to an outline of their structure and methods of operation.

Those who desire fuller information, and particularly those who wish to form credit unions in their own communities, should organize study groups and obtain copies of the 72-page booklet "JOIN YOUR CREDIT UNION" published by the Department of Agriculture, Province of Manitoba.

"JOIN YOUR CREDIT UNION" may be obtained free of charge for the use of organized study groups in Manitoba by applying to the Registrar of Co-operative Associations, 610 Royal Bank Building, Winnipeg.

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What Is a Credit Union?

A credit union is a co-operative society organized for the two-fold purpose of encouraging thrift by providing a safe and convenient depository for the savings of its members and of enabling them to accumulate a fund from which they may borrow for productive and provident purposes at a reasonable rate of interest.

Like other co-operative organizations, a credit union is operated not for profit, but to give service to its members, each of whom has an equal voice in its control irrespective of the number of shares he or she may hold.

Each credit union serves a definite group and its membership is limited to people belonging to that group—the members or residents of a parish, neighborhood or community; the employees in a factory, store or office; persons of the same occupation, such as teachers, members of the police force, co-operative employees, municipal or government employees; the members of an athletic or social club or of a co-operative association.

PROMOTE THRIFT

A credit union is first of all a savings institution, an agency to promote thrift by the regular and systematic saving of small sums of money. Shares are \$5.00 each and may be paid in full or by instalments. Every member must buy at least one share, and should continue to buy additional shares by regular payments, which may be as low as 25 to 50 cents a month, or as large as the member can afford. When this is done the funds available for making loans steadily increase and the society is eventually able to take care of practically all the credit needs of the community.

Children as well as adults may be members of credit unions and should be encouraged to join and so learn the habit of systematic saving.

LOANS

A credit union is also a credit institution and is fulfilling its objects best when most of its funds are loaned to its members for purposes which are beneficial to the borrowers.

GOVERNMENT SUPERVISION

Credit unions are organized under provincial law and must follow the rules laid down by the Act providing for their incorpor-

ation. The rules are very similar throughout Canada and the United States. They are the result of many years' experience and are designed to safeguard the interests of the members. The accounts and records of credit unions in Manitoba are periodically examined by the Supervisor of Credit Unions, an official of the provincial Department of Agriculture.

Experience shows that credit unions are one of the safest investments in the world. Losses through failure of members to repay loans are very rare, and when they do occur, are made up from the reserve fund. Cases where the members have lost money entrusted to their credit unions are practically unheard of.

How Does a Credit Union Operate?

A credit union operates through a Board of Directors, a Credit Committee and a Supervisory Committee, all chosen by and from the members in elections in which each member has one vote.

The directors choose a president, a vice-president, a secretary and a treasurer who is also the general manager. Funds not otherwise employed are kept in a chartered bank and the treasurer is bonded.

CREDIT COMMITTEE

The credit committee passes upon applications for loans, sees that proper security is given and arranges the terms of repayment.

SUPERVISORY COMMITTEE

The supervisory committee checks the work of the board, the credit committee and the treasurer to see that everything is done in accordance with the rules laid down by the Act and the society's bylaws. This committee also audits the books at least every three months and certifies to the correctness of the annual financial statement.

LOANS

Loans may be made only to members and they must be for productive or provident purposes. A productive loan is one which will enable the borrower to increase his earnings. A provident loan is one which will be beneficial to the borrower or his family.

The rate of interest on loans must not be more than one per cent per month on the balance owing from time to time. Most credit unions charge the full rate, but some, after they have become well established charge less. It is considered good credit union practice to charge different rates on different classes of loans. A loan to enable a member to purchase Victory bonds, for instance, might be made at a lower rate than one to purchase household furniture.

DISTRIBUTION OF SURPLUS

At the end of the year, twenty per cent of the surplus resulting from the year's operations is placed in the reserve fund which can be used only to make good losses from loans written off as uncollectible. A small entrance fee, charged to each member, and any fines imposed on borrowers in arrears, also go into the reserve fund. The remainder of the surplus is available for dividends on share capital. Some credit unions, beside paying dividends on shares, pay a patronage dividend to borrowers, returning to them a portion of the interest they have paid.

Credit unions also receive deposits from their members and pay interest upon them. Interest is at a rate fixed in advance by the directors and is usually lower than the dividend on shares.

Both shares and deposits may usually be withdrawn at any time, but the directors have the right, in case of emergency, to require notice.

What Is CUNA ?

CUNA is a word made from the initials of the Credit Union National Association, an organization whose headquarters are at Madison, Wisconsin. CUNA was formed in 1934 and was originally composed of state credit union leagues in the United States. It is now an international organization and includes in its membership provincial leagues and federations of credit unions in Canada. The Credit Union Federation of Manitoba was admitted to membership in May, 1944. Nova Scotia, Prince Edward Island, Ontario, Saskatchewan, Alberta, and British Columbia are also affiliated.

The objects of CUNA, in broad terms, are to promote the credit union movement throughout North America, through organization and education and the supplying of services. CUNA publishes a monthly illustrated magazine, *The Bridge*, devoted to credit unions and their problems. It employs field men who assist in organizing new credit unions in Canada and the United States and who advise and assist credit union officials in the performance of their duties. It watches legislation and has been responsible for the passage of credit union acts in most of the states of the union and a federal act under which credit unions can be organized anywhere in the U.S. and its possessions.

CO-OPERATIVE INSURANCE

The organization has also brought into existence the Cuna Mutual Insurance Society. Through this organization credit unions which are members of a state or provincial league or federation affiliated with CUNA can insure the lives of their borrowers for the amount of their loan balances. Over 4,000 credit unions in Canada and the United States carry this insurance and when a

borrower dies, his loan, with interest to date, including any arrears up to six months is immediately paid in full by Cuna Mutual Insurance Society. The cost of this insurance is 60 cents per month on each \$1,000.00 of the society's loans outstanding at the end of the previous month. For a premium of 75 cents per \$1,000.00, loans are covered in case of total and permanent disability as well as in case of death. The premiums are paid from the society's earnings and are not added to the interest paid by borrowers.

Cuna Mutual Insurance Society also has a plan under which the lives of members are insured for the amount of their shares and deposits in the credit union, so that when a member dies his estate collects double the amount of his savings if he is under 55 years of age or a somewhat smaller amount if he has reached a greater age. The premium paid by a society which gives its members the benefits of this Life Savings Plan is 65 cents per month on each \$1,000.00 of shares and deposits covered.

Ordinary life insurance is also written by Cuna Mutual Insurance Society, which is licensed to do business in Canada. The society pays no commissions to agents, depending upon credit unions to give this service to their members, and it is very economically operated. It is anticipated that under this method of doing business credit union members will be provided with life insurance protection at the lowest possible cost.

The Credit Union National Association is supported by dues paid by the affiliated leagues and federations.

Credit Union Federation

The Credit Union Federation of Manitoba was brought into existence by an order-in-council passed by the Provincial Government on October 8, 1943, and the first annual meeting was held at Winnipeg on October 27, 1943.

Membership in the federation is open to all credit unions in the province and up to September 30, 1944, 70 societies had become affiliated.

The purposes of the federation are set out in its bylaws as follows:

- (a) to promote the organization and development of credit unions in the Province of Manitoba, and to encourage co-operation among credit unions;
- (b) to disseminate information regarding credit unions and their methods of organization and operation; and to foster by every lawful means the common good and welfare of credit unions;

- (c) to improve the internal management of credit unions and to coordinate their operating methods and practices;
- (d) to co-operate with the Supervisor of Credit Unions;
- (e) to approve bookkeeping forms and records in both English and French to be used by credit unions, with a view to maintaining a uniform system of credit union bookkeeping; and to purchase bookkeeping and other office supplies for the purpose of resale to credit unions, and to use any profits resulting from such business activities for the general purpose of the Federation;
- (f) to arrange for the group bonding or insurance of credit union employees holding positions of trust, in order to protect credit union funds against loss;
- (g) to accept and administer any voluntary contribution or other subsidy that may be received by the Federation;
- (h) to provide such services as may be of mutual advantage to the members and to the Federation.

Each member credit union is entitled to be represented by two delegates at the annual meeting of the Federation, in which the ultimate power and authority of the Federation is vested. The general direction of the affairs of the federation is entrusted to a board of nine directors, one nominated by the delegates from each of the nine districts into which the province is divided.

Directors of the Federation for the year ending September 30, 1945, are as follows:

J. A. Treger, 239 Winterton Ave., Winnipeg, President.
 D. G. Reimer, Altona, Man., Vice-President.
 W. C. Leitkie, 374 Des Meuron St., Norwood, Man.,
 Secretary, Treasurer, and Managing Director.
 F. Baril, Ste. Adolphe, Man.
 Mrs. E. J. Watson, 533 16th St., Brandon, Man.
 O. Sabourin, St. Jean, Man.
 V. E. Phillips, R.R. No. 2, Dauphin, Man.
 J. B. A. Houde, St. Norbert, Man.
 Jos. Deroche, Notre Dame De Lourdes, Man.

The Federation is financed by dues paid by its member credit unions on the basis of 5 per cent of the gross interest income. From the dues received from member societies, the Federation pays an affiliation fee to the Credit Union National Association of six cents a year for each member of all the affiliated societies.

For the purpose of promoting the credit union movement locally, district federations may be established by credit unions in any part of the province. The first of these district federations was formed in Greater Winnipeg and the district committee, consisting of two delegates from each credit union in the area, meets regularly each month except during the months of July and August.

Central Credit Union

The Manitoba Central Credit Union Society Limited, was incorporated on May 17, 1944, to serve as a clearing house for credit unions in Manitoba and to assist in financing the co-operative movement.

The main purpose of the central credit union is to utilize the surplus funds of credit unions which are not needed for loans to their own members. These surpluses can be deposited with the central and loaned to other credit unions and to co-operatives. The central, like other credit unions, also has power to make investments authorized for trustees, and under this provision may make first mortgage loans on improved property.

The charter and by-laws of the central credit union are similar to those of other credit unions in the province and, like other societies, it operates through a board of directors, a credit committee and a supervisory committee.

Membership in the central credit union is open to credit union societies in the province and to those co-operative associations which operate provincially rather than locally. Directors and committee members of credit unions and directors of co-operatives which are members of the central union may also be members.

Up to October 20, 1944, the membership of the central credit union consisted of 36 credit unions, 3 co-operative associations, and 8 individual directors and committee members.

Share capital and entrance fees received to the same date totalled \$1,155.00. No loans had been made.

Officers of Manitoba Central Credit Union Society Limited for 1944 are:

N. H. Little, President.

V. A. Walsh, Vice-President.

E. E. Habkirk, Treasurer and Manager, 748 Clifton Street, Winnipeg.

How to Organize

The first step in organizing a credit union is to make a thorough study of the subject. The best and easiest way to do this is to form a number of groups, each consisting of from six to ten persons, which should meet once a week for systematic study.

A 72-page illustrated booklet, "Join Your Credit Union," can be obtained free of charge for the use of study groups in Manitoba from the Manitoba Federation of Agriculture, 610 Royal Bank Building Winnipeg. This booklet is divided into ten sections, each

of which provides material for at least one evening's discussion, and an appendix contains Part VIII of The Companies Act by which credit unions in Manitoba are governed.

When the study course has been completed and it has been decided to form a credit union, a form of application for letters patent and two copies of the standard by-laws should be obtained from John W. Ward, Registrar of Co-operative Associations, 610 Royal Bank Building, Winnipeg, who will supply all necessary instructions.

As soon as these documents have been received a meeting of all those interested should be held and a resolution to form a credit union passed. The application and standard by-laws should be read aloud and the meeting should decide how the different blanks in the forms are to be filled in. Among the details to be decided are the name of the society, the exact territory or group to be served, the amount of the entrance fee, the minimum instalment to be received on shares, the location of the head office, the number of directors, the time and place of the annual meeting and so on.

The meeting should then appoint ten adult persons to sign the application for the charter and the bylaws and should name from five to nine of these persons to act as the provisional board of directors.

The application and by-laws, properly signed and witnessed, are sent to the Registrar of Co-operative Associations, with a remittance of \$8.00 payable to the Provincial Secretary, in payment of the incorporation fees.

When the charter is received from the Provincial Secretary, the provisional board appoints the officers and proceeds to admit members. The Treasurer, appointed by the provisional board, can receive payments on shares and deposit the money in the chartered bank chosen by the board, but no loans can be made until a general meeting of the members has been held. This meeting should be held as soon as a reasonable number of members have joined. It will elect a board of directors, a credit committee, and a supervisory committee in accordance with the bylaws. The board will then elect a president, a vice-president, a secretary and a treasurer, who will also be the general manager, and the society will then be in full working order.

Credit Unions in Manitoba, 1939-1943

Year	Societies	Members	Share Capital	Deposits
1939	19	2,406	31,218	\$ 16,352
1940	31	3,630	56,670	28,275
1941	42	5,009	83,330	51,367
1942	60	6,892	123,634	104,490
1943	80	10,070	212,491	284,622

Credit Unions in Canada, 1943

Province	Societies	Members	Shares	Deposits
Prince Edward Island..	47	6,116	\$ 152,535	\$ 41,398
Nova Scotia	208	30,892	1,725,093
New Brunswick	145	23,446	1,031,240	46,866
Quebec	822	237,078	4,652,638	52,989,247
Ontario	163	32,672	1,354,713	1,722,510
Manitoba	80	10,070	212,491	284,662
Saskatchewan	128	14,600	483,863	280,096
Alberta	129	10,006	356,077	87,369
British Columbia	109	10,500	500,000
	1,831	375,380	\$10,468,650	\$55,452,148

Credit Unions in the United States, 1943

Societies	Members	Assets
11,000	4,000,000	\$400,000,000



